MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2021/ 2022

BFN2084 – PERSONAL FINANCE

(All Sections / Groups)

12 AUGUST 2022
9:00 am – 11:00 am
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This Question paper consists of **3** pages with **4 QUESTIONS**
2. Answer **ALL** questions and the distribution of the marks for each question is given.
3. Write your answers in the answer booklet provided.

Please Answer all the Questions

Question 1

a) Identify and explain the key components of an estate plan. (10 marks)

b) How is a mutual fund's net asset value calculated, and what is its relationship to share price? (5 marks)

c) You own 100 shares of a mutual fund that you purchased two years ago for RM3 per share. The shares are currently worth RM36 each, and the fund has paid you a dividend of RM2 per year. What is your return on investment for the whole two-year period and your annualized return on investment? (10 marks)

(Total: 25 marks)

Question 2

a) Assume that your retirement income shortfall is RM10,000 per year, increasing at 4% per year. You expect to live 30 years in retirement and earn an average rate of return of 6% on your investments. If you plan to use both principal and interest to fund your income needs, your savings goal would be? (4 marks)

b) Explain how each of the following factors might affect the amount of life insurance you need. (7 x 3 marks)

A. The number of children you have
B. The age of your children
C. Your age
D. Your spouse's earning capacity
E. Your financial wealth
F. Your outstanding debt
G. Your health

(Total: 25 marks)

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Question 3

a) Christopher's house is insured for RM250,000, and he has been paying premiums for the past 10 years. Chris's home was wiped out in a hurricane. The face value of the policy is RM250,000, the remaining mortgage is RM115,000, and the appraised value is RM210,000. How much can he recover from his insurance company for the loss? (5 marks)

b) Describe three ways a consumer can reduce his or her homeowner's insurance premiums. (4 marks)

c) What are the advantages and disadvantages of renting as compared with owning a home? (16 marks)

(Total: 25 marks)

Question 4

a) What is the difference between open-end and closed-end consumer credit? Give some examples of each. (10 marks)

b) How is annual percentage rate (APR) different from and similar to annual percentage yield (APY)? (10 marks)

c) Maria has accumulated RM6,000 in credit card debt and the annual rate on the card is 12%. If she wants to be able to pay it off in four years (48 months), what monthly payment will she need to make (rounded to the nearest dollar)? (5 marks)

(Total: 25 marks)

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